

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

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FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC 9472

INFO AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

USDEL MTN GENEVA

LIMITED OFFICIAL USE BRIDGETOWN 1522

E.O. 11652: N/A

TAGS: ETRD,GJ

SUBJ: MTN-PROFILE OF GRENADA

REF: STATE 181868

1. ECONOMIC AND POLITICAL BASIS FOR COUNTRY'S MTN APPROACH:
FOR ITS SIZE, GRENADA HAS A RATHER BROAD BASED ECONOMY.
THE MAIN ECONOMIC ACTIVITY IS AGRICULTURAL: GRENADA
PRODUCES THREE CROPS (NUTMEG, COCOA AND BANANAS) FOR
EXPORT ON SUBSTANTIAL SCALE, AS WELL AS, IN SMALLER
QUANTITIES, OTHER SPICES, LIMES, COTTON, COPRA AND FOOD
CROPS. TOURISM HAS ALSO PLAYED A SIGNIFICANT ROLE IN
THE PAST, AND THERE IS A MODEST MANUFACTURING SECTOR.
DESPITE COUNTRY'S CONSIDERABLE AGRICULTURAL POTENTIAL AND
NATURAL CONDITIONS FAVOR TOURISM , HOWEVER, THE ECONOMY
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HAS SHOWN "NEGATIVE GROWTH" SINCE 1973. GOG'S SHORT-SIGHTED

AND POLITICALLY MOTIVATED ECONOMIC POLICY, MUTUAL DISTRUST BETWEEN GOVERNMENT AND BUSINESS COMMUNITY, CONTINUING CLIMATE OF POLITICAL UNREST, IMPORTED INFLATION, AND INADEQUATE AIR LINKS WITH OUTSIDE WORLD HAVE ALL CONTRIBUTED TO THIS PHENOMENON. ONLY THE RECORD PRICES RECEIVED FOR NUTMEG AND COCOA HAVE KEPT EXTENT OF DETERIORATION OF ECONOMY WITHIN BOUNDS. WHILE GOG RECENTLY HAS INTRODUCED MEASURES FOR INCREASING REVENUE AND CUTTING EXPENSES, IT IS DOUBTFUL THESE MEASURES WILL BE EFFECTIVE, AND, BARRING SIGNIFICANT UPTURNS IN TOURISM AND/OR AGRICULTURE, PROSPECTS ARE THAT GRENADA'S ECONOMIC SITUATION WILL CONTINUE TO BE BLEAK. GRENADA'S EXPORTS TO US ACCOUNT FOR LESS THAN 10 PERCENT OF ALL ITS EXPORTS, AND US TARIFF POLICY AND IMPORT RESTRICTIONS ARE, CONSEQUENTLY, NOT OF GREAT CONCERN TO GOG. SINCE GRENADA HAS BEEN INDEPENDENT FOR ONLY A YEAR AND A HALF, GOG HAS HAD LITTLE EXPERIENCE IN FOREIGN AFFAIRS FIELD AND, GIVEN COUNTRY'S SMALL SIZE AND LIMITED RESOURCES, HAS PLAYED INSIGNIFICANT PART IN INTERNATIONAL FORA. BASICALLY, ITS OUTLOOK ON ANY QUESTION IS WHAT PRIMIN GAIRY SAYS IT SHOULD BE; SO FAR, HE HAS TAKEN GENERALLY PRO-US LINE IN BOTH UN AND OAS. NEVERTHELESS, UNDER HIS DIRECTION, GOG HAS ESTABLISHED DIPLOMATIC RELATIONS WITH PRC (THOUGH, INsofar AS WE AWARE, NOTHING HAS COME OF THIS), AND GAIRY UNDOUBTEDLY WOULD NOT HESITATE TO ACCEPT AID FROM PRC OR ANY OTHER COMMUNIST COUNTRY WERE SUCH TO BE OFFERED. INDEED, THERE IS EVIDENCE THAT NUTMEGS ARE BEING SHIPPED TO PEKING.

2. COUNTRY POLICIES AND MECHANISMS TO ACHIEVE TRADE OBJECTIVES: GOG'S TRADE OBJECTIVES -- OTHER THAN OBVIOUS ONE OF INCREASING REVENUES -- ARE ILL-DEFINED, AND MECHANISMS TO ACHIEVE THEM ARE UNDERDEVELOPED. PERHAPS MOST IMPORTANT MEANS AVAILABLE TO GOG FOR INFLUENCING PATTERN OF TRADE IS ITS CONTROL OF PRODUCTION AND SALE OF THREE MAJOR AGRICULTURAL EXPORT CROPS. GRENADA'S MEMBERSHIP IN CARICOM HAS OBVIOUS IMPLICATIONS FOR COUNTRY'S TRADE POLICY AND OBJECTIVES.

3. COUNTRY TRADE POLICY DECISION-MAKING PROCESS: PRIMIN GAIRY MAKES ALL MAJOR DECISIONS IN GRENADA, LIMITED OFFICIAL USE

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INCLUDING NO DOUBT THOSE RELATED TO TRADE POLICY. ACCORDING TO EMBASSY SOURCES, HE NEITHER SOLICITS NOR WELCOMES ADVICE FROM HIS SUBORDINATES, HOWEVER LITTLE HE MAY KNOW OF SUBJECT AT HAND AND HOWEVER EXPERT THEY MAY BE IN IT. PRESUMABLY HE RELIES ON DIVINE GUIDANCE, FOR IT IS HIS BOAST THAT HE ENJOYS A SPECIAL RELATIONSHIP WITH THE ALMIGHTY. UNFORTUNATELY, GRENADIAN BUSINESS COMMUNITY-- APPARENTLY UNCONVINCED THAT ALLEGED RELATIONSHIP ACTUALLY

EXISTS-- REJECTS GAIRY AND ALL HIS WORKS, AND THERE IS CONSIDERABLE SUPPORT FOR THEIR CONTENTION THAT GOG DECISIONS IN ECONOMIC SPHERE ARE MADE ON POLITICAL, RATHER THAN ECONOMIC GROUNDS. RECENTLY, FOR EXAMPLE, GOG TOOK OVER NUTMEG INDUSTRY AFTER CHAIRMAN OF THE NUTMEG BOARD, IN HIS CAPACITY AS JUSTICE OF THE PEACE, SIGNED A WARRANT FOR GAIRY'S ARREST. MINISTER OF FINANCE, TRADE AND PRODUCTION GEORGE HOSTEN, MINISTER OF AGRICULTURE, FISHERIES AND FORESTRY O.A.RAEBURN, AND MINISTER OF STATE FOR TOURISM AND NATURAL RESOURCES PAUL SLINGER MAY PLAY MINOR ROLES IN FORMULATION OF GRENADIAN TRADE POLICY.

4. MTN PERSONNEL: GOG IS NOT EXPECTED TO BE REPRESENTED IN ITS OWN RIGHT AT MTM.
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